

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: February 16, 1996

SUBJECT: **SB 2373 - HB 2986**

This bill, if enacted, will exempt from the sales and use tax any legend drug sold to or prescribed by a licensed veterinarian and dispensed by a veterinarian or a pharmacist for use in connection with the practice of veterinary medicine. The bill refers to the definition of legend drug found in TCA 53-10-101: *any item which federal law prohibits dispensing without a prescription from a licensed doctor, dentist, optometrist or veterinarian.*

The bill also exempts from the sales tax the bathing and grooming of animals provided by a licensed veterinarian when rendered in conjunction with the practice of veterinary medicine. The bill is effective upon becoming a law.

The fiscal impact from enactment of this bill is estimated to be a decrease in state and local government sales tax revenue of approximately \$1,000,000 and \$400,000, respectively. It is estimated that some sales tax revenue will be foregone since it is not being collected currently due to veterinarians' interpretation of the law. Such amount

cannot be determined but is estimated to exceed \$100,000 to both state and local governments.

This impact assumes:

- 1) Total estimated US veterinary expenditures are \$9 billion annually;
- 2) Tennessee represents 2% of total national households; and
- 3) Expenditures for items included in the definition used by this bill and for bathing and grooming represent 10% of total Tennessee expenditures.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is written in a cursive, flowing style with a large initial 'J' and 'D'.

James A. Davenport, Executive Director